

The Federal Reserve's expenditures are not subject to approval by either the President or Congress, unlike the budgets of other government agencies.

Despite the fact that the Federal Reserve takes in and spends billions of dollars each year, the Federal Reserve's budget is not conveniently available to Congress or the public. Only a small fraction of the Fed's \$1.6 billion of operating expenses were included in the U.S. Government Budget for fiscal year 1996—just the \$177 million of expenses incurred by the Board of Governors in Washington. The details on this part of the Fed's budget, only 7 percent of the Federal Reserve's total spending, appeared in Appendix of the Budget, at the very end of the section entitled "Government-Sponsored Enterprises."

During 1996, the revenues of the Federal Reserve System will be about \$20 billion. A small fraction of these revenues, less than \$1 billion, will consist of payments by banks for services provided by the Fed. Most will consist of interest received from the Treasury on the Fed's holding of U.S. Government securities, which the Fed acquired during open market operations conducted for monetary policy purposes. Out of this \$20 billion, paid mostly by taxpayers, the Federal Reserve will incur approximately \$1.7 billion in operating expenses. About \$1 billion of this will be for personnel costs. The rest will be for supplies, travel expenses, telephone and postage, printing money, maintenance of equipment, amortization of buildings, etc. The remainder of the Fed's revenues will be returned to the Treasury, where it is listed in the Budget as an off-setting receipt.

The Federal Reserve Reform Act will not reduce the Federal Reserve's control over its own budget. The bill will not subject the Federal Reserve to the Congressional appropriations process, nor will it give either Congress or the administration any control over the Federal Reserve's spending. All it does is require that the data be published conveniently in the U.S. Government Budget, where spending by every other government agency is already listed. This includes the Supreme Court, which has its budget published in the Government budget without any loss of independence.

Adopting the bill would thus implement a basic principle of democracy that no Government agency should take in and spend billions of dollars without having its budget readily accessible to the public.

In conclusion, in our Nation the Government must be accountable to the people. The Federal Reserve, with its enormous power over the economy and the well-being of the American people, does not meet the normal standards of accountability in a democracy. The bill that I am introducing today will make the Fed more accountable without impairing its ability to conduct monetary policy. The bill does not impose presidential or congressional or other outside controls on Fed policy. Instead, my bill addresses the complex problem of increasing Federal Reserve accountability in a democratic society without jeopardizing the Federal Reserve's independence or injecting politics into monetary policy.

In the 80 years since the Federal Reserve System was created, Congress has made a number of changes in its structure and procedures, adding responsibilities and powers from time to time and periodically revising its rela-

tionship with Congress and the administration. The bill that I am introducing today continues this process by proposing a handful of evolutionary changes in the practices and structure of the Federal Reserve.

THE BALANCED BUDGET ENFORCEMENT ACT OF 1995

HON. PETER J. VISCLOSKY

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. VISCLOSKY. Mr. Speaker, today, I am joined by our colleagues, Representatives CHARLIE STENHOLM, CALVIN DOOLEY, and TOM BARRETT, in introducing the Balanced Budget Enforcement Act of 1995. This legislation would put in place tough, new measures to reform the budget process and eliminate the Federal budget deficit by the year 2002.

I cosponsored the predecessors to this bill when they were introduced in the 102d and 103d Congresses by our former colleagues, Leon Panetta and Tim Penny. This Balanced Budget Enforcement Act of 1995 would force us to start now and begin bringing the budget into balance by the year 2002. It would do so by setting spending caps and using across-the-board cuts if the caps aren't met. Here's how:

THE BALANCED BUDGET ENFORCEMENT ACT OF 1995 SUMMARY

(1) Deficit Reduction Targets (in addition to the amounts required by current law) to reach balance in 2002.

	1996	1997	1998	1999	2000	2001	2002	Total
Discretionary caps	12.9	30.1	53.9	73.8	98.9	121.7	144.6	535.9
Entitlement/revenue scorecard	31.9	59.6	80.6	105.6	125.3	147.4	169.4	719.9
Debt service	1.7	6.2	13.6	24.2	38.4	56.2	77.9	218.1
Grand total	46.5	95.9	148.1	203.6	262.6	325.3	391.9	1,473.9

(2) Setting Sound Economic Estimates: The President appoints a "Board of Estimates," consisting of the Chairman of the Federal Reserve and four private citizens nominated by House and Senate party leaders. The Board must choose either CBO's or OMB's estimates of how much deficit reduction is needed in that Session. The Board's choices would be binding on the President and Congress, so that the deficit reduction requirement for each would be identical. Finally, the Board would meet again after adjournment to pick either CBO's or OMB's estimates of how much deficit reduction was actually accomplished by Congress during the Session.

(3) Requirement of President to Submit Balanced Budget: The President must propose a budget that will reach balance by 2002. Further, the President's budget must use the assumptions chosen by the Board of Estimates, meet all discretionary caps and entitlement/revenue deficit reduction targets, achieve balance in 2002 and each year thereafter, and be voted on by Congress.

(4) Requirement of Budget Committees to Report Balanced Budget: Likewise, the congressional budget resolution must lay out a plan to reach balance by 2002. Budget resolutions also must use the estimating assumptions chosen by the Board of Estimates, meet all discretionary caps and entitlement/revenue deficit reduction targets, and achieve balance in 2002 and each year thereafter.

(5) Enforcement:

A. Discretionary savings—Appropriations. The discretionary savings will be achieved by keeping appropriations bills within a single annual cap, and enforced by across-the-board sequestration of discretionary programs.

B. Entitlement/revenue savings—Reconciliation. The entitlement/revenue deficit reduction priorities will be set through the annual budget process. The budget resolution (conference agreement) will include a reconciliation directive targeting by committee the dollar amount of deficit reduction to be achieved from entitlements and/or revenues and will generate a "spin-off bill" (to be sent to the President) putting those targets into law.

C. Sequestration: Overall reconciliation requirements will be enforced by sequestration; the type of sequestration in any year depends on whether a spin-off bill has been enacted.

(1) Targeted sequestration to enforce reconciliation: (applies if a spin-off bill has been enacted, either as a result of a budget resolution or, later, as a title in a reconciliation bill). If a committee misses its entitlement target, entitlement programs within that committee's jurisdiction will be sequestered by a uniform percentage to meet the target. If revenues do not meet the revenue target, a uniform personal and corporate surtax will be imposed to meet the target.

(2) Comprehensive sequestration: (applies if a spin-off bill has not been enacted; this would generally occur if the President first

vetoed the spin-off bill, then vetoes a reconciliation bill containing the committee targets). There will be a comprehensive sequestration of entitlement spending and some revenue provisions in the amount needed to hit the overall target for entitlement/revenue deficit reduction. For revenues, a surtax would be imposed upon personal annual incomes greater than \$250,000 and corporate incomes over \$10 million. This formula will produce \$4 in entitlement spending cuts for every \$1 in revenue increases.

(6) Tax cuts/Investment: Tax cuts and/or investment policies can be enacted if they are paid for.

I believe that balancing the budget is our moral responsibility as Members of Congress. I have always supported a balanced budget, and the responsibility to achieve this is not one that I take lightly. Over the years, I have frequently taken the political road less traveled in the name of deficit reduction. When I am in northwest Indiana, I tell my constituents that I am opposed to cutting their taxes because it would undermine serious efforts to reduce the deficit. In March, I was one of only six Democrats to support the rescissions bill because I believe we need to start making tough spending decisions now. In January, I supported a constitutional amendment to balance the budget for the first time because I finally lost

faith that the Congress has the resolve to balance the budget without being required to do so.

Regardless of the amendment's defeat in the Senate, we must not give up the fight for a balanced budget. We have the power to do this without a constitutional amendment, and it is critical that we now demonstrate the collective courage necessary to eliminate deficit spending. A majority of the House and Senate has demonstrated its support for balancing the budget, and it would be a cruel hoax on the American people to fail to do so simply because we do not have a constitutional imperative.

Nations, like families, have to plan for the future. As a nation, we have failed to plan. We have borrowed to achieve a false sense of security today, leaving the bills for our children to pay tomorrow. In 1994, alone, we spent \$203 billion more than we had. This means that \$783 was borrowed from every single person in America. Over the past 20 years, the average budget deficit has grown from \$36 billion in the 1970's, to \$156 billion in the 1980's, to the unprecedented \$248 billion hole we have dug for ourselves so far in the 1990's. This irresponsible spending has resulted in a money pit so deep that this year's interest payment—\$235 billion—will be larger than this year's deficit of \$176 billion. The Balanced Budget Enforcement Act of 1995 would stop this destructive trend. It would set us on the path to achieve a balanced budget by 2002.

In closing, Mr. Speaker, I urge my colleagues to cosponsor this important legislation. The sooner we begin a serious effort to balance the budget, the better off our children and grandchildren will be.

WHERE WE GO FROM HERE: A DIALOGUE OVER THE TRANSFORMATION TO A BETTER AMERICAN FUTURE APRIL AND MAY 1995

HON. NEWT GINGRICH

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. GINGRICH. Mr. Speaker, I submit the following for the RECORD.

The American Opportunity:

Creating a Safe and Prosperous Future for our Generation and Our Children.

The Coming Debate:

Is not about just the Budget.

It is about America's Future.

It is about the Doing the Right Thing.

It is about an opportunity to create the potential for prosperity, safety and a better life for virtually every American.

It will take hard systematic work and real change, but it can be done and it will improve our lives and our children's lives.

"Doing the Right Thing" Means:

Being Truly Compassionate by replacing the Welfare State with an Opportunity Society.

Restoring Freedom by ending Centralized Bureaucratic Micromanagement.

Promoting Prosperity, Economic Growth, and Take Home Pay by Reducing Taxes, Litigation and Regulation.

Creating Opportunity for every American by Leading the Transformation to a Third Wave, Information Age Society.

Creating a Safe Future for Our Children and Our Retirement Years by Balancing the

Budget and Solving the Financial Crises in funding Medicare and Social Security.

The Majority Party in American Politics Is Responsible for Leading the Civic Discussion About the American Idea.

It is our Moral Responsibility.

The Majority Party must lead a New Dialogue to achieve the needed changes. That New Dialogue will lead to a New Partnership with the American People.

Through our New Dialogue, we can change Today's Public Opinion into Tomorrow's Public Judgment.

In 1995 we are at a crossroads. America has been in similar situations and always risen to the challenge.

"Our Generation has a Rendezvous with Destiny"—*Franklin Delano Roosevelt, 1936.* (Facing Nazi Germany, Fascist Italy and Imperial Japan.)

"We have nothing to fear but fear itself"—*Franklin Delano Roosevelt, 1933.* (Facing 25% unemployment in the Great Depression.)

"We have every right to dream heroic dreams * * * the crisis we are facing today * * * requires our best effort and our willingness to believe in ourselves and to believe in our capacity to perform great deeds, to believe that together with God's help we can and will resolve the problems which now confront us. After all, why shouldn't we believe that? We are Americans."—*Ronald Reagan, 1/81*—(Facing 13% inflation, 22% interest rates, the Iranian hostage crisis and the Soviet Empire's invasion of Afghanistan.)

We have the opportunity to improve every American's life through 5 strategic improvements:

1. Being Truly Compassionate by replacing the Welfare State with an Opportunity Society;

2. Restoring Freedom by ending Centralized Bureaucratic Micromanagement;

3. Promoting Prosperity, Economic Growth, and Take Home Pay by Reducing Taxes, Litigation and Regulation;

4. Creating Opportunity for every American by Leading the Transformation to a Third Wave, Information Age Society;

5. Creating a Safe Future for Our Children and Our Retirement Years by Balancing the Budget and Solving the Financial Crises in funding. To Embrace change on this scale, we must use an appropriate Planning Model: Vision, Strategies, Projects, Tactics.

We have living proof America can succeed in the 21st Century.

All around us scientists and entrepreneurs are inventing a better future.

All around us corporations are re-thinking and re-engineering to produce more, better and faster, with fewer resources.

All around us the private sector and private citizens are changing, adapting and improving.

When we have our plan thought out, we must lead by listening to others about their plans, their hopes and their fears.

Listen, Learn, Help, Lead.

These are the 4 key steps to getting people to implement change on a large scale.

Five Strategic Improvement will help us create a better government and a better America:

The First Strategic Improvement *Being Truly Compassionate* requires: Replacing the Welfare State with an Opportunity Society.

It is a failed model of delivering goods and services to help people. It actually hurts the poor.

Its failure is reflected by the violence, brutality, child abuse and drug addiction in every local TV news broadcast.

The culture of violence increasingly permeates our entertainment and denigrates our civilization.

The non-working, non-productive part of our society is a factor in the deficit and de-

clining American competitiveness in the world market.

The Human Cost of the Welfare State Poor Americans are:

Trapped in Unsafe Housing.

Maintained in Unsafe Neighborhoods.

Saddled with rules that are anti-work, anti-family, and anti-property.

Forced to have their children attend public monopolies that cost a lot but accomplish little.

In the name of "compassion" we have funded a system that is cruel and destroys families.

A Failed Welfare State.

Welfare spending now exceeds \$305 billion per year, for a total of \$5 trillion since 1965—more than the cost of winning WWII.

This \$305 billion is roughly 3 times the amount needed to raise all poor Americans above the poverty line.

Since 1970, the number of children in poverty has increased 40%.

Since 1965, the juvenile arrest rate for violent crimes has tripled.

Since 1990, the number of unmarried pregnant teens has nearly doubled and teen suicide has more than tripled.

As Welfare Spending has Grown, So has illegitimacy.

As Education Spending has Risen, SAT scores have fallen.

The failure of the welfare state strikes at the heart of the American belief that every citizen is endowed by Our Creator with certain unalienable rights among which are life, liberty, and the pursuit of happiness.

No Civilization can survive with:

12 Year olds having babies, 15 year olds killing each other, 17 year olds dying of AIDS, and 18 year olds receiving diplomats they can't read.

Furthermore, no civilization can survive with parents and grandparents cheating their children by refusing to Balance the Budget and live within their means.

The legacy we're leaving to our children: Moral and Fiscal Bankruptcy.

A program for a Better American Future begins with replacing the Welfare State with an Opportunity Society. A cheap Welfare State is an inadequate response.

Transforming the Welfare State into an Opportunity Society for the Poor requires:

• Shift from caretaking to caring—Morris Shechtman, *Working Without a Net*.

• Welfare Reform that emphasizes work, family and opportunity—Charles Murray, *Rethinking the Social Welfare System, Losing Ground*.

• Volunteerism and Spiritual Renewal—Marvin Olasky, *The Tragedy of American Compassion*.

• Renewing the Basic Values of American Civilization.

• Tax Incentives for work, investment, and entrepreneurship—Jack Kemp, *An American Renaissance*, Desoto, *The Other Path: Introduction*.

• Re-establishing property ownership and full citizenship for the poor—Manhattan Institute, *City Journal*, Spring 1993.

• Learning as the focus of Education—Polly Williams, Wisconsin State Legislature.

• Government protection for the poor against violence and drugs—James Q. Wilson, *Crime*; William Bennett, Heritage Foundation, *Policy Review*.

The Second Strategic Improvement *Restoring Freedom* by Ending Centralized Bureaucratic Micromanagement by the Government in Washington.

The Centralized, Washington-based system of bureaucratic micromanagement has failed in a diverse, continent-wide country.

Reforms should emphasize decentralization from Washington and return authority to state and local governments.